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## ARIZONA CORPORATION COMMISSION

1999 SEP 17 P 3:48

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AZ CORP COMMISSION  
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Docket No. E-01345A-98-0473

September 17, 1999

Arizona Corporation Commission

DOCKETED

SEP 17 1999

DOCKETED BY

Mr. Lawrence V. Robertson, Jr.  
Munger Chadwick, P.L.C.  
333 North Wilcox, Suite 300  
Tucson, AZ 85711

Dear Mr. Robertson:

I'm in receipt of your letter dated September 16, 1999. By now you should be in receipt of a second letter that clarified my letter of September 9, 1999. I have enclosed a copy of my September 16<sup>th</sup> correspondence for your review.

First, let me say that you are correct when you suggest that I was referring to the proposed Opinion and Order, and not the settlement agreement as suggested in my earlier letter.

Second, and I note, that my letter of September 9, 1999 simply requests information from APS about recent concerns expressed by at least two Wall Street analysts as well as suggestions as to how those concerns can be addressed. I want to know what those concerns are so that I can evaluate whether those concerns might have a long-term negative impact on APS's ability to borrow money at preferred rates.

I do not know if these concerns are related to the Opinion and Order. If they are, then I would expect APS to file exceptions in the docket which would address those issues. However, I would also hope that APS would respond to my letter so that its exceptions are specifically identified in relation to those concerns held by at least two Wall Street analysts.

No where in my letter do I promise an outcome. Further, my decision as always will be based on the record. I am simply asking for clarification in a shortened format. Additionally, I will note that my request was done in accordance with Commission rules of practice and procedure – it was docketed and sent to all parties of record. It is my job to be concerned about the ability of Arizona utilities to fund ongoing build outs and infrastructure improvements, and I want to make sure that the concerns held by at least two Wall Street analysts do not have an unnecessary and negative impact on APS.

To the extent you believe that Commissioners are unable to inquire about concerns expressed about APS by analysts – or anyone else for that matter – at a time when the Commission is contemplating taking action that concerns APS, I disagree. Further, should the concerns be related to the Opinion and Order, I would support modifications only if supported by the record and by those who were in support of the settlement filed earlier with this Commission.

I do recognize that the electric restructuring process has not been a smooth ride, and I assure you it is not my intention to add to those troubles.

Sincerely,

Carl J. Kunasek  
Chairman

cc: Commissioner Jim Irvin  
Commissioner William A. Mundell  
Brian McNeil  
Deborah Scott  
Paul Bullis  
Docket Control  
All Parties of Record

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September 16, 1999

Docket No. E-01345A-98-0473

RE: Docket No. E-01345A-98-0473

To All Parties of Record:

As you probably know, last week I sent a letter to Mr. Bill Post of Arizona Public Service in an effort to ascertain why Pinnacle West (PW) stock had declined and more specifically to find out what concerns have caused some Wall Street analysts to downgrade PW stock.

Because of concerns about the letter as expressed by some of the parties involved in the Arizona Public Service stranded cost settlement, I thought it appropriate to clarify the purpose of my letter.

First, I have no intentions in changing the substantive provisions of a negotiated settlement. I gave a commitment to all parties in the deregulation process that I would support a negotiated agreement between affected utilities and its customers, provided the customers were well represented in the negotiations. That I believe has occurred.

However, I do want to know the reasons for the recent stock downgrades and depressed stock price. More important, I want to know if these concerns are long-term in nature, something that would affect the company's bond rating and potentially increase customer rates.

To the extent these concerns stem from our activities, I want to know what changes could be made that would not impact the other parties to the settlement. Whether that can occur remains to be seen.

Sincerely,

Carl J. Kunasek  
Chairman

cc: Commissioner Jim Irvin  
Commissioner William A. Mundell  
Brian McNeil  
Deborah Scott  
Paul Bullis  
Docket Control